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CENTRAL INTELLIGENCE AGENCY

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ball bearings or milk cans or tinned meats, etc. Their individual judgment would decide whether to hope for an immediate or a long term profit.

5. It was dependent for its realization on the following factors:

- a. The capitalist in question seeing a possibility of short term amortization (2-3 years). This, in turn, needed a conviction or at least strongly suggested feeling, that Italy would not be invaded immediately, and the calculated possibility that if she were invaded, a line of defense on Italian soil could be a feasibility. Also, as an immediate consequence, the stabilization of the shares involved;
- b. An element of certainty that the economic factors of the moment would contrive to exist. Otherwise there might be a flight of capital to foreign investments; and
- c. A guarantee by the State that the product involved will follow the market prices rather than those of the cost of production. This needed formal protection by the State of possessors of capital invested under the Pella Plan.

6. Whether or not the Treasury will be able to invest the money allocated to the Plan

The 1,650,000 million lire envisaged under the Pella Plan represent a figure which is a necessity for Italy, not one which is *ipso facto* realizable. Pella has deduced the fact of their realization from their very necessity. That it will succeed, is not to be excluded from one's calculations. However, Milanese circles are far more optimistically than skeptically inclined to this possibility. The Treasury will not, however, reduce expenditure on non-productive items to do this. Pella's policy has been a complete contradiction in this respect. It has been characteristic of the last three years to reduce certain items of State expenditure in order to bolster up the lira and at the same time to increase non-productive expenditure, which will threaten the already slippery position of the currency. A reform of the Italian bureaucratic procedure to enable more money actually to be spent would take years of preliminary study and could only be put into effect gradually. It is not thought to be feasible at the moment. As regards the increase in the National Debt, this may be the inevitable solution. Industrial circles are inclined to think that this can be done, but they admit that it is the inevitable dilemma to know whether it could be treated as a "light increase" or whether this very increase would lead to the collapse of the lire. Anti-inflation measures have been barely considered, and it is the opinion of Milanese circles that if rampant inflation occurred, it would catch Italy totally unprepared.

7. Balance between Investments and Rearmament

The Italian experts are trying to carry out both tasks completely, including eventually the financing of armaments expenditure in the increase of national production. When asked whether the Italian Treasury could do this without assistance, or whether a loan from the World Bank would be required, the reply was given that a loan of \$550,000,000 from the World Bank would be required.

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